

	A	B	C	D	E
1	State Water Contractors 3 rd Offer (8/7/13) and DWR Counter-Proposal (9/4/13)				Document No. 00046
2					
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
9	1	OBJECTIVE 1: TERM OF CONTRACT	1	OBJECTIVE 1: TERM OF CONTRACT	
10	a.	Extend term of the SWP water supply contracts by 75 years from December 31, 2035 to December 31, 2110.	a.	Extend term of the SWP water supply contracts by 40 years from December 31, 2035 to December 31, 2075.	Pending outcome of Objectives 2a, 2b, and 3.
11	2	OBJECTIVE 2A: RESERVES	2	OBJECTIVE 2A: RESERVES	
12	2.1	Funding Level for General Operating Account (GOA)	2.1	Funding Level for General Operating Account (GOA)	
13	a.	Contingent on the milestones described in Section 2.9.b. for phased increases in GOA funding levels, increase the authorized General Operating Account (GOA) balance from \$22.7 million to \$150 million pursuant to Article 51(a)(3) and Article 51(e)(3)(v).	a.	Equivalent to 90 days' worth of operating reserves (\$150 million in today's dollars) built-up over time based on the phased increases in GOA funding levels outlined in DWR Section 2.9.b. Increase the authorized General Operating Account (GOA) balance from \$22.7 million to \$150 million pursuant to Article 51(a)(3) ¹ . Authorized GOA funding level will be adjusted as outlined in DWR Section 2.9.c.	DWR believes the GOA should be tied to 90 days' worth of operating reserves as opposed to a fixed dollar amount and shall be incrementally funded as described in DWR Section 2.9.b.
14	b.	The GOA funding level is to be a fixed dollar amount independent from a financial policy based on days of operation within the State Water Resources Development Systems (SWRDS). See Section 2.9.c. for future changes to GOA funding level.	b.	The GOA funding level shall be based on 90 days' worth of operating reserves. Changes in authorized GOA funding will be based on a periodic review by DWR and the Contractors.	DWR believes the GOA should be tied to 90 days' worth of operating reserves as opposed to a fixed dollar amount.
15	c.	The funding source for pre-2035 adjustments to the GOA fixed funding level will be 51(e) revenues.	c.	The initial funding source for pre-2035 adjustments to the authorized GOA funding level will be 51(e) revenues and a transfer from the Replacement Accounting System (RAS) account.	DWR agrees on the source of funding.
16	d.	The funding source for post-2035 adjustments to the GOA fixed funding level will be investment earnings from the SWRDS Reinvestment Account (SRA) introduced within this document under Objective 2b – SWRDS Support Account.	d.	The funding source for post-2035 adjustments to the authorized GOA funding level will be at the discretion of the Director: (1) investment earnings retained in GOA; (2) transfers from the SWRDS Reinvestment Account (SRA); and (3) any other available funds.	DWR believes the GOA should be tied to 90 days' worth of operating reserves as opposed to a fixed dollar amount.
17	2.2	Funding Rate for GOA	2.2	Funding Rate for GOA	
18	a.	Subsequent to (1) the payoff of the Pooled Money Investment Account (PMIA) loan and (2) the adoption of financial management enhancement contract provisions by DWR, change the GOA fixed funding rate of \$2 million annually, to any amount of available revenues determined in Article 51(e)(1)(ii) subject to the scheduled funding increases set out in the contract provisions and authorized maximum GOA funding level.	a.	Subsequent to the payoff of the Pooled Money Investment Account (PMIA) loan, change the authorized GOA funding rate of \$2 million annually, to any amount of available revenues determined in Article 51(e)(1)(ii) subject to the phased funding increases set out in the contract provisions and authorized maximum GOA funding level.	Financial Management Enhancements will be addressed in subsequent sections of this document.

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
19	2.3	Funding Priority for GOA	2.3	Funding Priority for GOA	
20	a.	Subsequent to (1) the payoff of the Pooled Money Investment Account (PMIA) loan and (2) the adoption of financial management enhancement contract provisions by DWR, the GOA funding priority established by the post-Monterey flow of funds would be modified to establish GOA funding subordinate to rate reductions under Article 51(e)(1)(ii).	a.	Subsequent to the payoff of the Pooled Money Investment Account (PMIA) loan, the GOA funding priority established by the post-Monterey flow of funds would be modified to establish GOA funding subordinate to rate reductions under Article 51(e)(1)(ii).	Question for Contractors: What is the meaning of "rate reductions under 51(e)(1)(ii)." Does this mean after the \$40.5M specified in that section? Financial Management Enhancements will be addressed in subsequent sections of this document.
21	2.4	Replenishment of the GOA	2.4	Replenishment of the GOA	
22	a.	Authorize the replenishment of the GOA through the normal statement of charges process pursuant to Article 29 (e), under the billing component that represents the costs incurred which triggered the cash-flow event requiring the use of the GOA.	a.	Authorize the replenishment of the GOA through the normal statement of charges process pursuant to Article 29 (e), under the billing component that represents the costs incurred which triggered the event requiring the use of the GOA.	
23	2.5	Interest Earnings on the GOA	2.5	Interest Earnings on the GOA	
24	a.	Authorize SWRDS to refund to the Contractors the annual GOA investment earnings.	a.	GOA investment earnings shall be used as follows: (1) funding GOA to authorized GOA funding level; (2) transferred, at the discretion of the Director, to the SWRDS Support Account (SSA); and (3) transferred, at the discretion of the Director, to the SWRDS Reinvestment Account (SRA).	DWR investment earnings should be applied to the various funds to support SWRDS operations.
25	2.6	Uses of the GOA	2.6	Uses of the GOA	
26	a.	Authorize the GOA to be used for any cash-flow deficiencies and/or emergencies resulting from a chargeable water supply purpose within the SWRDS.	a.	Authorize the GOA to be used for any cash-flow deficiencies resulting from a chargeable water supply purpose within the SWRDS or during a SWRDS emergency for any SWRDS purpose.	DWR's position is that flexibility for cash-flow is necessary during an emergency; however, it is unlikely that this would be a significant amount.
27	2.7	Other Cash-flow Mitigation Measures	2.7	Other Cash-flow Mitigation Measures	
28	a.	Retain 30-day grace period authorized under Article 32(b).			No change to existing contract.
29	b.	Retain the supplemental billing provisions authorized under Article 51(c)(4).	a.		
30			(1)	Retain the supplemental billing provisions authorized under Article 51(c)(4) prior to January 1, 2036, and, for post-2035, allow supplemental billing up to 10% of the Contractors' current Statement of Charges for that calendar year.	

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
31			(2) Effective with the new amended contract, DWR shall have the ability to issue “revised” Contractor billings in the event of a significant cash flow shortage caused by an emergency or crisis, where the GOA does not have sufficient funds available or where use of the GOA would deplete the fund and put the State Water Project (SWP) at financial risk.		
32	c.	Retain the Variable billing provisions that authorized the variable component to be based on the number of acre-feet of project water delivered to the contractor during the year and the timing and method of payment under Article 29.			No change to existing contract.
33	2.8	Implementing SWRDS Financial Management Enhancements	2.8	Implementing SWRDS Financial Management Enhancements	
34	Enhance the Fiscal Policies and Administrative Measures for the Consolidated and Comprehensive Financial Management of the State Water Resources Development System (SWRDS).		Enhance the Fiscal Policies and Administrative Measures for the Financial Management of the State Water Resources Development System (SWRDS).		
35	Phase 1				DWR’s position is that milestones for Financial Enhancements should be discussed and recommendations should be made by the SWRDS Financial Steering Committee.
36	a.	By December 31, 2014, DWR shall create and fill the SWRDS General Manager-SWRDS Chief Executive Officer (CEO) position, reporting to the DWR Director, with the authority and responsibility to manage the SWRDS Chief Financial Officer (CFO) and the SWRDS Chief Operating Officer (COO).			DWR will describe how its current organization is authorized and responsibilities are formally delegated for duties comparable to those of a CEO, CFO, and COO.
37	•	Minimum Authority and Responsibilities of SWRDS Officers			
38	(1)	SWRDS General Manager-SWRDS Chief Executive Officer (CEO)			SWP Deputy Director acts as CEO
39	•	Has the responsibility and authority over all SWRDS operations and financial activities within DWR, including the authority to determine the scope of work and budgets for all DWR activities across Divisions funded by the SWRDS.			SWP Deputy Director has the responsibility and authority over all SWRDS operations and financial activities within DWR, including the authority to determine the scope of work and budgets for all DWR activities across Divisions funded by the SWRDS.

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
40	(2)	SWRDS Chief Financial Officer (CFO)			Currently, the SWPAO and DFS Chiefs share the CFO duties as proposed in Contractors' Section 2.8(2). The Financial Management Enhancements will address the distribution and consolidation of these roles and responsibilities.
41		<ul style="list-style-type: none">Responsible for presenting and reporting accurate and timely SWRDS actual and forecasted financial information to facilitate management decisions by both DWR and the State Water Project Contractors.			
42		<ul style="list-style-type: none">Responsible for the SWRDS current and future financial condition including water sales, financial and managerial accounting, debt financing, capital infrastructure, energy portfolios, financial policies, and treasury and investments management.			
43	(3)	SWRDS Chief Operating Officer (COO)			Division of Operations and Maintenance (O&M) Chief acts as COO
44		<ul style="list-style-type: none">Responsible for the SWRDS current and future operations including the operating reliability and availability of the System to deliver available water to the State Water Project Contractors.			O&M Chief is responsible for the SWRDS current and future operations including the operating reliability and availability of the System to deliver available water to the State Water Project Contractors.
45	Phase 2				DWR's position is that milestones for Financial Enhancements should be discussed and recommendations should be made by the SWRDS Financial Steering Committee.
46	b.	By June 30, 2015, establish a State Water Resources Development System Financial Committee, the structure, authority and responsibilities of which will be described in a committee charter approved in writing by Contractors representing at least 80% of Table A of Contractors who have executed the contract extension amendment.	a.	Effective immediately, DWR shall establish a State Water Resources Development System Financial Steering Committee, the structure and responsibilities of which will be described in a Committee Charter approved by DWR as well as the Contractors.	
47		<ul style="list-style-type: none">Composition of Committee		<ul style="list-style-type: none">Composition of Committee	
48	(1)	The committee will be comprised of DWR and State Water Project Contractor representatives.	(1)	The committee will be comprised of DWR and State Water Project Contractor representatives.	
49	(2)	The Chair of the committee shall be elected by the DWR Director and a majority vote by the State Water Project Contractor representatives.	(2)	The Chair of the committee shall be the SWP Deputy Director.	

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
50	• Purpose of the Committee		• Purpose of the Committee		
51	(1)	To insure the timely development and implementation of the Work Plan for Implementing Financial Management Enhancement in accordance with the minimum criteria set forth in the State Water Project Contracts.	(1)	To continue development and implementation of the SWRDS Financial Management Enhancements.	
52	(2)	To provide financial guidance during the life of the SWRDS enterprise fund which includes the responsibility for recommending financial policies, goals, and budgets that support the financial health and viability of the SWRDS and the State Water Project Contractors.	(2)	To provide financial recommendations to the Department Director, which include recommendations regarding financial policies, goals, and budgets that support the financial health and viability of the SWRDS.	
53	Phase 3				DWR's position is that milestones for Financial Enhancements should be discussed and recommendations should be made by the SWRDS Financial Steering Committee.
54	c.	The SWRDS Chief Financial Officer (CFO) will submit a financial management enhancement work plan and obtain approval by December 31, 2015 by the State Water Resources Development System Financial Committee. At a minimum, the Work Plan must include the following minimum Work Plan objectives with the completion of the financial management enhancements by December 31, 2017 unless otherwise amended by the State Water Resources Development System Financial Committee.			Currently the SWPAO Chief is responsible for monitoring the progress of the SWRDS Financial Management Enhancements and will provide periodic status reports to the SWRDS Financial Steering Committee. The Financial Management Enhancements will address the distribution and consolidation of future roles and responsibilities.

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
55	<ul style="list-style-type: none">Minimum Work Plan Objectives				DWR's position is that this level of detail should not be part of the Contract Extension Amendment but rather addressed by recommendations from the SWRDS Financial Steering Committee. The SWRDS Financial Management Enhancements Vision and Goals section will be the subject of discussion by the SWRDS Financial Steering Committee and considered for possible inclusion in the Steering Committee Charter and will not be specified in the Contract Extension Amendment. The prior Program Management and Control Committee and current DWR Program Control Project's accomplishments and future tasks are described in the presentation (the presentation is scheduled for the September 4th Negotiation Session). Proposed SWRDS Financial Management Enhancements vision and goals for consideration are as follows:
56	(1)	Develop a comprehensive blueprint for establishing a consolidated State Water Resources Development System Financial Organization.			<i>Develop and implement a consistent policy for budgeting, reporting, accounting, and billing processes that emphasize accuracy and are feasible, understandable, measurable, and transparent.</i>
57	(2)	Develop a near-term blueprint for consolidating and leveraging the current financial capabilities within DWR to provide available financial and managerial information to the State Water Resources Development System Financial Committee by June 30, 2015.			<i>Enhance accountability of SWP expenditures at the Division Chief, Program Managers, and staff level; implement new requirements to meet this elevated level of financial management.</i>
58	(3)	Develop a strategy and blueprint for the SAP financial system to maximize financial data collection and reporting capabilities necessary to meet the financial and managerial reporting requirement objectives.			<i>Develop implementation roadmap for the objectives developed by the current SWP Program Control Project with some early implementation items to be targeted 2 to 3 years in the future</i>

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
59	(4)	Develop financial and managerial processes and reporting capabilities to meet the following minimum reporting requirements.			Develop financial and managerial processes and reporting capabilities to meet the following minimum reporting requirements. Continually review and assess processes and reporting requirements, making adjustments as necessary.
60		<ul style="list-style-type: none">Calendar year SWRDS line item budget by project, task or activity summarized by Reach within the following utility categories: Capital Infrastructure, Operations & Maintenance, and Energy.			1) Manage calendar year cash basis budget by project and major SWP Program area, by year, by quarter, and by repayment reach, for 5 calendar years, including past year and current year, future plans.
61		<ul style="list-style-type: none">10 year rolling forecast of annual revenue requirements that will form the basis of the annual statement of charges.			2) Revenue requirements (Cap, Min and var) will be driven by Bulletin 132.
62		<ul style="list-style-type: none">10 year rolling forecast of annual expenditures by utility categories broken out by the10 major cost categories (cost elements).			3) Expand and develop a 5-year budgeting process of all SWP expenditures.
63		<ul style="list-style-type: none">Monthly SWRDS budget versus actual reports by Reach and utility categories. Reports will be, at a minimum, the 10 major cost categories (cost elements) comparing budgeted with actual and projected expenditures for the remainder of the calendar year, including variance explanations.			4) Prepare calendar year quarterly cash basis reporting of project and program activity expenses using the current fiscal structure and categories/accounts configured in DWR’s business systems. Comparison of cash basis budget against actual and projected expense will be done quarterly including explanations of significant variances from budget. New Reporting is envisioned for Program Managers, with some summary reporting to contractors for annual reports.
64		<ul style="list-style-type: none">Monthly SWRDS cash-flow reports (cash basis) projecting cash in- flows and out-flows for a rolling 18 months.			5) Expand to 18 month reporting of Cash flow.
65		<ul style="list-style-type: none">For all open or reopened financial periods, a monthly reconciliation of financial accounting to utility accounting providing full recovery analysis of all SWRDS costs by a SWRDS customers.			

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
66	<ul style="list-style-type: none">Automated dashboard reports delivered monthly to the State Water Project Contractors which provide the ability to control the visualization and analysis of the real-time data in real-time. These interactive dashboard reports shall be designed to provide an at-a- glance perspective of the SWRDS financial condition in all utility categories. The dashboard reports shall consolidate key performance indicators to monitor critical issues and assist in identifying areas that need immediate attention.				
67	Phase 4				DWR's position is that milestones for Financial Enhancements should be discussed and recommendations should be made by the SWRDS Financial Steering Committee.
68	d. By December 31, 2017, complete implementation of the Work Plan providing for the consolidated and comprehensive financial and operational management of the State Water Resources Development System (SWRDS) under the management of the SWRDS General Manager-SWRDS Chief Executive Officer.				Due to the need for considerable development work and potential organizational and staffing level changes, expected complete implementation would be January 2019, approximately 5 years, however some early implementation items in place by 2014 and 2015. Additionally, milestones and schedule for Financial Enhancements should be discussed and recommendations should be made by the SWRDS Financial Steering Committee.
69	2.9 Periodic Review and Adjustments		2.9 Periodic Review and Adjustments		
70	a. Eliminate the GOA adjustment authorized after 2001 in Article 51(a)(3).		a. Eliminate the GOA adjustment authorized after 2001 in Article 51(a)(3).		
71	b. Subsequent to the adoption of financial management enhancement contract provisions by DWR, increases in the funding level of the GOA would be subject to the completion of each requirement phase as follows:		b. Based on current projections and subject to availability of 51(e) revenues, the GOA will be incrementally increased to the maximum authorized funding level. The CY 2013 initial balance of the GOA is \$27 million, and upon execution of the amended contract, \$20 million shall be transferred from the RAS account. Full funding is projected to be achieved in CY 2017.		DWR believes the GOA should be tied to 90 days' worth of operating reserves as opposed to a fixed dollar amount. The annual amounts specified below are subject to availability of funds and are at the discretion of the Director:

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
72	Initial Authorized GOA Funding Level once amendment adopted - \$50 million				\$27 M - CY 2013 initial balance of GOA
73					\$20 M - Upon execution of amended contract (Year 1) - transfer from RAS account. See Section 4.1.a for allocation of remaining balance of RAS.
74	Increase authorized GOA funding level at the completion of Phase 1 - \$10 million				\$15 M - Year 2 increase based on projected 51(e) revenues
75	Increase authorized GOA funding level at the completion of Phase 2 - \$10 million				\$25 M - Year 3 increase based on projected 51(e) revenues
76	Increase authorized GOA funding level at the completion of Phase 3 - \$30 million				\$45 M - Year 4 increase based on projected 51(e) revenues
77	Increase authorized GOA funding level at the completion of Phase 4 - \$50 million				\$18 M - Year 5 increase based on projected 51(e) revenues
78	Authorized GOA Funding Level Under the Financial Management Provisions - \$150 million				<i>\$150 M - Total authorized GOA funding level (equivalent to 90 days' worth of operating reserves in today's dollars)</i>
79	c.	Subsequent to the completion of the requirements for the SWRDS Financial Management Enhancements (Phase 1-4), the SWRDS Chief Financial Officer (CFO) will complete a determination of financial need and provide a recommended General Operating Reserve Policy to the State Water Resources Development System Financial Committee for review and approval. The approved financial policy will establish the appropriate GOA funding level including the basis for adjustments. Pre-2035, any GOA funding level adjustments would be included in the annual sources and uses calculation of 51(e) Revenues in the year of the GOA adjustment. Post-2035, any GOA funding level adjustments would be from interest earnings from the SWRDS Reinvestment Account (SRA) introduced within this document under Objective 2b – SWRDS Support Account.	c.	Division of Fiscal Services Chief will prepare an analysis of the GOA funding level.	Proposed metrics for analyzing appropriate level of the GOA for the periodic (5-year) review: <ul style="list-style-type: none">• Historical 5 year average of operating costs.• Projected 5 year average of operating costs.• Historical use of G.O.A.• DWR’s reduction in over-collections in the Statements of Charges.
80	3	OBJECTIVE 2B: SWRDS Support Account (SSA)	3	OBJECTIVE 2B: SWRDS Support Account (SSA)	
81	3.1	Apportion amounts of revenue collected by the State for additional State Water Resources Development System purposes pursuant to Article 51(e)(1)(iii) in the following priorities:	3.1	Modifications to Article 51	

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
82	a.	Post-2035, eliminate the Annual Rate Reductions authorized under Article 51(e)(1)(ii).	a.	On January 1, 2036, Article 51 shall no longer be effective, with the exception of Article 51(a) (the General Operating Account) as it may be amended and Article 51(c)(4), (5), and (6) (Supplemental Billing) as they may be amended.	
83	b.	Subsequent to (1) the payoff of the Pooled Money Investment Account (PMIA) loan and (2) the adoption of financial management enhancement contract provisions by DWR, the GOA funding priority established by the post-Monterey flow of funds would be modified to establish GOA funding subordinate to rate reductions under Article 51(e)(1)(ii).			This is addressed in DWR Section 2.3.a.
84	c.	Subsequent to (1) the adoption of financial management enhancement contract provisions by DWR, (2) the adoption of the SWRDS Reinvestment Account (SRA) program by DWR, and (3) the payoff of the Pooled Money Investment Account (PMIA) loan, the State Water Facilities Capital Account pursuant to Article 51(c)(2)(v) shall be closed and the balance of the account transferred to the State Water Resources Development System Support Account (SSA) introduced within this document under Objective 2b – SWRDS Support Account.	b.	On January 1, 2036, the State Water Facilities Capital Account will cease (Article 51(b)) and the funds in the Facilities Capital Account on that date will be transferred to the SWRDS Support Account.	
85	d.	Subsequent to (1) the adoption of financial management enhancement contract provisions by DWR, (2) the adoption of the SWRDS Reinvestment Account (SRA) program by DWR, and (3) the payoff of the Pooled Money Investment Account (PMIA) loan, provide pre-2035 funding up to the authorized funding level of \$60 million to the State Water Resources Development System Support Account (SSA).			This is addressed in "SWRDS Support Account (SSA)" (DWR Section 3.3).
86	e.	Subsequent to (1) the adoption of financial management enhancement contract provisions by DWR, (2) the adoption of the SWRDS Reinvestment Account (SRA) program by DWR, and (3) the payoff of the Pooled Money Investment Account (PMIA) loan, provide annual pre-2035 replenishment funds not to exceed the \$60 million funding limit to the State Water Resources Development System Support Account (SSA).			DWR's proposal is that the SSA should be established on the effective date of the amendment, but DWR expects that the SSA would not be fully funded until closer to the end of the Monterey Amendment on January 1, 2036, and that funds from the SSA would be primarily used post-2035.

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
87	f.	Establish SWRDS Reinvestment Account (SRA) and deposit _% of the annual balance of Article 51(e)(1)(iii), collected by the State and subsequent to the State Water Resources Development System Support Account (SSA) funding and replenish requirements, into the SRA, starting in CY2016 and continuing until the completion of the project repayment period.			Funding of the SRA is addressed in "SWRDS Reinvestment Account (SRA)" (DWR Section 3.2).
88	g.	Apply_ % of the annual balance of Article 51(e)(1)(iii), collected by the State and subsequent to the State Water Resources Development System Support Account (SSA) funding and replenishment requirements, following the priorities and limitations with respect to the application of additional reductions:			DWR's proposal is to leave the Monterey Amendment intact (with certain exceptions, such as allowing for GOA build-up prior to 2035) until January 1, 2036.
89	(1)	Reductions to make up shortfalls in reductions from those projected for the years 1997 through 2000 with interest at the project interest rate authorized under Article 51(e)(3)(i).			
90	(2)	Reductions to make up shortfalls in reductions from those projected for the years beginning with 2001 without interest authorized under Article 51(e)(3)(ii).			
91	(3)	Additional reductions in the amount of \$4 million per year apportioned among the Urban Contractors until a total of \$19.3 million in additional reductions have been applied under Article 51(e)(3)(ii – iii).			
92	(4)	Subsequent to (1) the adoption of financial management enhancement contract provisions by DWR, (2) the adoption of the SWRDS Reinvestment Account (SRA) program by DWR, and (3) the payoff of the Pooled Money Investment Account (PMIA) loan, eliminate the additional 24.7% - 75.3% Agricultural Contractors and Urban Contractors respective reductions authorized by Article 51(e)(3)(vi).			
93	3.2	A SWRDS Reinvestment Account (SRA) shall be established.	3.2	SWRDS Reinvestment Account (SRA)	
94			a.	The SRA shall be established and take effect upon the effective date of the contract extension amendment.	

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
95	a.	The purpose of the SRA shall be to provide a SWRDS revenue stream by reinvesting the SRA balance of Article 51(e)(1)(iii), collected by the State pre-2035, in facilities and programs that benefit the State Water Project.	b.	The purpose of the SRA shall be to provide a SWRDS revenue stream by reinvesting the SRA balance of Article 51(e)(1)(iii) revenues, collected by the State pre-2035, in facilities and programs that benefit the State Water Project.	
96	b.	Authorized SRA investments in order of priority, subject to the State Water Resources Development System Financial Committee review, shall be as follows:	c.	Authorized SRA investments shall be as follows:	
97	(1)	Reinvestment in SWP capital facilities, recovered at the prevailing tax-free municipal bond market rates corresponding to the SWRDS bond rating at the time of financing, in 10 to 50 year maturity ranges.	(1)	Reinvestment in SWP capital facilities, recovered at the prevailing tax-free municipal bond market rates corresponding to the SWRDS bond rating at the time of financing, in maturity ranges that may extend 10 to 50 years or even to the termination date of the contract extension amendment.	
98	(2)	Temporary financing in lieu of the SWRDS commercial paper program.	(2)	Temporary financing in lieu of the SWRDS commercial paper program.	
99	(3)	Allowable Investment Instruments per State Government Code.	(3)	Any other legally permissible investment for the SWRDS.	
100	c.	Replenishment or a periodic review of the SRA funding level is not necessary given the nature of the account which is to preserve the SRA balance of Article 51(e)(1)(iii), collected by the State (“principal balance”); insuring that this principal balance can be invested to generate a future revenue stream.	d.	Replenishment or a periodic review of the SRA funding level is not necessary given the nature of the account which is to preserve the SRA balance of Article 51(e)(1)(iii) monies, collected by the State (“principal balance”); insuring that this principal balance can be invested to generate a future revenue stream.	
101	d.	The investment earnings generated by the SRA will:	e.	The investment earnings generated by the SRA will, at the discretion of the Director:	
102	(1)	Provide the annual source of replenishment funds, not to exceed the \$60 million funding limit, to the State Water Resources Development System Support Account (SSA).	(1)	Provide the annual source of replenishment funds to the State Water Resources Development System Support Account (SSA).	See DWR Section 3.3.d for SSA level of funding.
103	(2)	Or be accumulated in the SRA and increase the SRA balance of Article 51(e)(1)(iii), collected by the State and held in this SRA for investment purposes.	(2)	For funds not transferred to the SSA, be accumulated in the SRA and increase the SRA balance of Article 51(e)(1)(iii) monies, collected by the State and held in this SRA for investment purposes.	
104	3.3	Establishment of the SWRDS Support Account (SSA)	3.3	SWRDS Support Account (SSA)	
105			a.	A SWRDS Support Account (SSA) shall be established, although it is anticipated that the SSA will be used primarily after January 1, 2036.	
106	a.	The purpose of the SSA shall be to provide a source of funds to pay for costs of the System where there are no funds or revenue sources available to pay for such costs.	b.	The purpose of the SSA shall be to provide a source of funds to pay for costs of the System where there are currently no funds or revenue sources available to pay for such costs.	

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
107	b.	The purpose of the SSA shall be to provide cash-flow reserves in the event that cash-flow deficiencies and/or emergencies result from non-chargeable purposes under the water supply contracts.			Contractors' Section 3.3.b appears to be redundant.
108	c.	Subsequent to (1) the adoption of the SWRDS Reinvestment Account (SRA) program by DWR, (2) the adoption of the SWRDS Support Account (SSA), and (3) the payoff of the Pooled Money Investment Account (PMIA) loan, the calculation of financial needs under Article 51(c) shall reduce the revenue need defined in Article 51(c)(2)(ii) by the annual costs of maintenance and operation of the State Water Development System and the replacement of any part thereof that are not chargeable under the water supply contract. The non-chargeable annual costs under the water supply contract for maintenance and operation of the State Water Development System and the replacement of any part thereof is an authorized use of the SWRDS Support Account (SSA) funds. Both sources of revenues, 51(e) revenues and SSA, will pay for the reasonable costs of the annual maintenance and operation of the State Water Resources Development System and the replacement of any parts thereof, as required under Water Code section 12937(b)(1).			DWR's proposal is to leave the Monterey Amendment intact (with certain exceptions, such as allowing for GOA build-up prior to 2035) until January 1, 2036.
109	d.	The source and priority of funds for SWRDS specific and joint use Recreation, Fish and Wildlife Enhancement (RFWE) capital, and operation and maintenance costs, shall be as follows:			Unclear as to the purpose of Contractors' Section 3.3.d.
110	(1)	Funding provided by the State of California, or any other non-contractor source, including but not limited to the Davis-Dolwig Account.			
111	(2)	The SWRDS Support Account (SSA).			
112	e.	The Department shall consult with and consider input from the Contractors regarding the projects and activities for which monies from the SSA are used.	c.	The Department shall consult with and consider input from the Contractors regarding the projects and activities for which monies from the SSA are used.	
113	f.	Subsequent to the adoption of financial management enhancement contract provisions by DWR, periodic review and adjustments to the SSA funding level would be subject to the review and approval of the State Water Resources Development System Financial Committee.	d.	The initial target amount in the SSA shall be \$60 million, provided that the target amount shall be adjusted up or down every five years based on the percentage change in annual charges to the contractors (or such other formula or index agreed upon by the parties, as part of the contract extension negotiation process).	

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
114			e.	The Department shall fund the SSA from available System revenues, including Article 51(e)(iii) revenues, the SRA and from the amounts, if any, remaining in the Facilities Capital Account on December 31, 2035, so that the SSA will contain the target amount on January 1, 2036.	
115	g.	Interest and other investment income in the SSA shall be retained in the SSA for SSA purposes reducing the annual SRA replenishment requirement.	f.	Replenishment of the SSA shall be accomplished through 1) reimbursements received for expenditures made from the SSA; 2) transfers, in the discretion of the Director, from the SRA; 3) transfers, in the discretion of the Director, of investment earnings from the GOA; 4) deposits in the discretion of the Director, from other available system revenues; and 5) interest and other investment income retained in the SSA.	
116	h.	At such time, if any, that costs paid from the SSA are reimbursed to the System, the Department shall deposit those reimbursed revenues in the SSA reducing the annual SRA replenishment requirement.			Contractor's proposal for this item is included in DWR Section 3.3.f.
117			g.	Backstop: If the Department is unable, for any reason, to use the SRA to provide a revenue stream to replenish the SSA or if the SRA is implemented but the SSA is short of funds in any calendar year, then starting no sooner than Calendar Year 2036 (or in any subsequent calendar year where there is a shortage of funds in the SSA), the Department may charge the Contractors annually as follows: (1) 1% of the Contractors' annual charges for the billing year or (2) a percentage (if less than 1%) of the Contractors' annual charges which, when applied to the amount then in the SSA, will bring the SSA up to the target amount for the billing year.	This is the backstop provision to address an inability to use an SRA to provide a revenue stream to replenish the SSA or to address a shortage in SSA funds.
118	4	OBJECTIVE 3: Simplify the State Water Project Billing Process	4	OBJECTIVE 3: Simplify the State Water Project Billing Process	
119	4.1	Elimination of the Replacement Accounting System (RAS)	4.1	Elimination of the Replacement Accounting System (RAS)	
120	a.	Eliminate the Replacement Accounting System (RAS) for Transportation and Conservation Facilities with the intent to have replacement costs treated as a minimum or capital cost. The unencumbered cash balance of the RAS funds are to be returned to the SWP Contractors using the RAS allocation methodology.	a.	Eliminate the Replacement Accounting System (RAS) for Transportation and Conservation Facilities, with the intent to have replacement costs treated as a minimum or capital cost, once the maximum authorized GOA funding level has been achieved. DWR will refund the balance less \$20 million of the unencumbered cash balance of the RAS funds to the Contractors using the RAS allocation methodology.	
121	4.2	Implement the Freeze-Go Billing Methodology	4.2	Implement the Freeze-Go Billing Methodology	
122	a.	Methodology will freeze all costs incurred prior to January 1, 2016, and continue repayment consistent with current contract terms.	a.	Methodology will freeze all costs incurred prior to January 1, 2016, and continue repayment consistent with current contract terms.	

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
123	b.	Methodology will recover all costs incurred after December 31, 2015, by converting and authorizing repayment on a Pay-As-You-Go methodology.	b.	Methodology will recover all costs incurred after December 31, 2015, by converting and authorizing repayment on a Pay-As-You-Go methodology.	
124	c.	Amend the definition of the Project Repayment Period to apply only to those costs incurred prior to January 1, 2016.	c.	Amend the definition of the Project Repayment Period to apply only to those costs incurred prior to January 1, 2016.	
125	d.	The term of the Project Repayment Period, January 1, 1961 through December 31, 2035, will remain the same.	d.	The term of the Project Repayment Period, January 1, 1961 through December 31, 2035, will remain the same.	
126	e.	The Water Systems Revenue Bond Surcharge will apply only to those costs incurred prior to January 1, 2016 and will terminate at the completion of the Project Repayment Period.	e.	The Water Systems Revenue Bond Surcharge will apply only to those costs incurred prior to January 1, 2016 and will terminate at the completion of the Project Repayment Period.	
127	f.	Amend the definition of the Project Interest Rate to apply only to those costs incurred prior to January 1, 2016. The Project Interest Rate will remain 4.610%.	f.	Amend the definition of the Project Interest Rate to apply only to those costs incurred prior to January 1, 2016. The Project Interest Rate will remain 4.610%.	
128			g.	DWR shall have the authority to issue "revised" Contractor billings as needed.	Provides for recognition in contract of DWR's current practice regarding revising bills.
129	4.3	Defining the Pay-As-You-Go Repayment of Costs Incurred Post-2015	4.3	Defining the Pay-As-You-Go Repayment of Costs Incurred Post-2015	
130	a.	The annual cost recovery within a bill year for estimated annual operation, maintenance, power, and replacement costs for project conservation facilities.	a.	The annual cost recovery within a bill year for estimated annual operation, maintenance, power, and replacement costs for project conservation facilities.	
131	b.	The annual recovery of actual debt service, created by SWRDS financing activities, within a bill year for financed capital transportation and conservation facilities.	b.	The annual recovery of actual debt service, created by SWRDS financing activities, within a bill year for financed capital transportation and conservation facilities.	
132	4.4	Defining the Pay-As-You-Go Repayment of Actual Debt Service from SWRDS Financing Post-2015 Capital Costs	4.4	Defining the Pay-As-You-Go Repayment of Actual Debt Service from SWRDS Financing Post-2015 Capital Costs	
133	a.	Authorize SWRDS to finance 100% of all capital costs.	a.	Authorize SWRDS to finance 100% of all capital costs.	
134	b.	Authorize SWRDS to use various methods of financing including Water System Revenue Bonds and SRA, with each method providing an annual repayment schedule which includes a principal and interest component over the life of the financing.	b.	Authorize SWRDS to use various methods of financing including Water System Revenue Bonds and SRA, with each method providing an annual repayment schedule which includes a principal and interest component over the life of the financing.	
135	c.	Authorize SWRDS to bill an amount that is equal to the accumulated annual debt service payments due per the debt service schedules or matching dollar for dollar the SWRDS annual debt service payments including the bond cover requirements, providing 100% capital cost recovery at the financed interest rate over the term of the financing while meeting the additional bond debt cover requirements.	c.	Authorize SWRDS to bill an amount that is equal to the accumulated annual debt service payments due per the debt service schedules or matching dollar for dollar the SWRDS annual debt service payments including the bond cover requirements, providing 100% capital cost recovery at the financed interest rate over the term of the financing while meeting the additional bond debt cover requirements.	

	A	B	C	D	E
3	ACRONYMS				
4	GOA	General Operating Account	SRA	SWRDS Reinvestment Account	
5	PMIA	Pooled Money Investment Account	SSA	SWRDS Support Account	
6	RAS	Replacement Accounting System	SWRDS	State Water Resources Development System	
7					
8	STATEMENT OF PRINCIPLES BY THE SWP CONTRACTORS - 8/7/2013		DWR COUNTER-PROPOSAL - 9/4/2013		DWR COMMENTS
136	4.5	Expanding Water System Facilities Authorized to be Financed by Water System Revenue Bonds Under Article 1(hh)	4.5	Expanding Water System Facilities Authorized to be Financed by Water System Revenue Bonds Under Article 1(hh)	
137	a.	Eliminate the January 1, 1987 date for existing facilities within Article 1(hh)(8); provision to now read as follows, “ Finance all repairs, additions, and betterments to conservation or transportation facilities and to all other facilities described in this sub-article (hh) except for item (5) the land acquisition prior to December 31, 1995 for the Kern Fan Element of the Kern Water Bank.”	a.	Eliminate the January 1, 1987 date for existing facilities within Article 1(hh)(8); provision to now read as follows, “ Finance all repairs, additions, and betterments to conservation or transportation facilities and to all other facilities described in this sub-article (hh) except for item (5) the land acquisition prior to December 31, 1995 for the Kern Fan Element of the Kern Water Bank.”	
138	b.	Add provision to Expand 1(hh) to include “Finance all other capital projects mutually agreed upon in writing by DWR and 80% of the affected Contractors”.	b.	Add provision to Expand 1(hh) to include “Finance all other capital projects (i.e. projects and programs for which revenue bonds can be sold) mutually agreed upon in writing by DWR and 80% of the affected Contractors, provided that the approving Contractors' Table A amounts exceed 80% of the Table A amounts representing all affected Contractors”. "Affected Contractors" means those contractors which would be obligated to pay a share of the debt service for such project.	
139	Objective 4: BDCP and DHCCP Participation (Butte & Plumas - 7/9/13)		DWR COUNTER OFFER - 9/4/2013		DWR Comments
140	The Department and some State Water Project contractors are directly participating in the development of the Bay Delta Conservation Plan (BDCP) and the associated Delta Habitat Conservation and Conveyance Program (DHCCP). The details of the financing and repayment, specifically how the Department will charge each SWP contractor for future costs for implementation of the BDCP and DHCCP, has not been determined. Each contractor’s participation in the implementation and financing of the BDCP and DHCCP should be voluntary. The Agreement in Principle and subsequent contract amendments should limit each contractor’s obligation to fund any implementing and related BDCP and DHCCP projects to only to those contractors that agree to participate in those projects. Butte and Plumas shall not be responsible for any costs incurred by the Department for the BDCP and DHCCP unless each of them agrees to pay for such costs in the Agreement in Principle and subsequent contract amendments to the Statement of Charges.				Needs further discussion
141					
142	¹ The Articles referenced in this document are articles contained within the SWP water supply contracts.				